



'Great skill' and 'luck' required for 'soft landing,' says Yellen

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To achieve a "soft landing" for the U.S. economy, the Federal Reserve will need "great skill" and "luck," said U.S. Treasury Secretary Janet Yellen.

"My hope is we will achieve a soft landing, but Americans know it's essential to bring inflation down and, over the longer run, we can't have a strong labor market without inflation under control," Yellen told CNN in an interview Sunday. "The Fed is going to need great skill and also some good luck to achieve what we sometimes call a soft landing."

Yellen also noted that the administration's and the Fed's goals align well. "We want to see a strong labor market and inflation coming down to more normal levels," she said.

The Treasury chief admitted that the growth rate in the U.S. is slowing due to large hikes by the Fed, but stated that the labor market remains "exceptionally strong."

Last week, Fed Chair Jerome Powell commented that the U.S. central bank remains "strongly committed" to fighting inflation. On the other hand, he added that there was still hope that the goal could be achieved without "very high social costs."

"We need to act now, forthrightly, strongly as we have been doing, and we need to keep at it until the job is done," Powell said in a webcast interview with Cato Institute President Peter Goettler. "The Fed has and accepts responsibility for price stability ... We think we can avoid the kind of very high social costs that Paul Volcker and the Fed had to bring into play."

There is currently a 90% chance of a 75 basis point hike at the upcoming September Fed meeting, according to the CME FedWatch Tool. This would be the third oversized hike of this magnitude in a row for the U.S. central bank.

"While the August employment report last Friday suggested some cooling in the labor market, a flurry of Fed officials in recent days have made hawkish comments suggesting little appetite to slow down the pace of rate hikes just yet," said ABN AMRO's senior U.S. economist Bill Diviney. "We now judge that even a weak inflation number for August would be unlikely to sway the Committee (especially as the inflation data comes out during the blackout period, leaving no room for the Fed to provide any signals to markets)."

The key number to watch this week is the U.S. CPI number from August, which will be released Tuesday. Markets are looking for the annual number to slow to 8.1% from the 8.5% acceleration in July.

Yellen also commented on oil and gas prices, warning that Americans could feel another surge this winter as the European Union cuts back on Russian oil.

"It's a risk, and it's a risk that we're working on the price cap to try to address," Yellen said, referring to the proposed Western price cap on Russia's oil exports.